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TESTIMONY OF
ANDREW GREENBLATT
ON HB-5466 (HADDAD, BERGER)
BEFORE THE
CONNECTICUT HOUSE OF REPRESENTATIVES
COMMITTEE ON COMMERCE

MARCH 15, 2012

Members of the Committee:

Good morning. My name is Andrew Greenblatt and I appreciate this opportunity to provide testimony concerning HB-5466 regarding Social Enterprise Businesses.

I am the Assistant Director of Policy for B Lab, a national non-profit working to support businesses that promote environmental and social sustainability. Our work includes helping to create the infrastructure needed to nurture this new segment of the economy by encouraging passage of legislation that enables the creation of a new corporate form known as "benefit corporations". Our organization is responsible for drafting the model legislation that led to the passage of benefit corporation bills in seven states including New York, Vermont, and New Jersey and was used as a launching point for a different Connecticut bill, HB-5490, which shares many traits with the bill before you today.

I would like to begin by thanking the legislature for taking up the important issue of creating corporate forms that serve the growing social enterprise sector. There is a great need for the creation of this new corporate form. Over 50,000 businesses in the U.S. identify themselves as existing to create public benefit, not simply shareholder wealth. They strive to create great jobs and local living communities. But they struggle with a capital market and corporate structures built for an old way of doing business.

The legislation being considered here today, HB-5466, the Social Enterprise Business bill, has a number of things in common with the Benefit Corporation bill we have supported around the country and here in

Connecticut. I expect many people to testify in favor of the Social Enterprise Business bill and will not use the committee's time covering the same issues. Rather, I wish to highlight some important differences between the two bills and to urge you to support the Benefit Corporation bill separate from your support for the Social Enterprise Bill as they achieve different goals.

First, the Benefit Corporation bill requires these corporations to provide a broad general public benefit defined as improving "society and the environment." Benefit corporations may also choose to provide a specific public benefit that is more narrowly tailored. The Social Enterprise Businesses would be required to pick one or more specific more narrowly tailored public benefit.

Second, Benefit Corporations rely on the marketplace to define and shape what it means to create public benefit. Benefit Corporations choose a standard created by a clearly defined third party by which they measure their own actions. The choice of this third party standard is crucial. Today there are several to choose from including one from Greenseals which has a strong environmental bent and another from my organization that also takes into account how a business treats its workers and the community. We expect the list of standards to grow over time allowing companies to choose which best fits their mission. They then must disclose to the public in an annual report how well they are living up to that standard allowing consumers and investors to decide if they support the goals embodied in the standard and how well the Benefit Corporation meets those standards.

Social Enterprise Businesses would also be allowed to choose from a broad range of goals to pursue, but they must also meet a number of other specific requirements imposed by the bill including paying a living wage to workers and contractors, limiting the pay to officers and directors, and attempting to use local labor whenever practical. The Social Enterprise Business legislation also requires an annual report, but it is released only to shareholders, not the public. Alternatively, the Social Enterprise Business would be required to hire an outside party to audit the businesses' attempts to create social benefit every five years. This report, however, would not be shared with the public.

Finally, if passed Benefit Corporation legislation here in Connecticut would join a growing national movement already law in seven states and pending in several more including South Carolina, Pennsylvania, and

the District of Columbia. Because each of these has a similar structure, legal protections for investors, and transparency requirements, we expect the Benefit Corporation to be the form used by large social investment funds who need to make investment decisions without incurring the large due diligence costs imposed by investing in a unique corporate form.

Thank you for your attention. I would be pleased to answer any questions the Committee may have.

